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Russian Federation

Grain and Feed

Export Duties Adopted

2003

Approved by:

Allan Mustard
U.S. Embassy

Prepared by:

Yelena Vassilieva and Randall Hager

Report Highlights:

The Government of the Russian Federation recently approved a 25 Euro per metric ton export duty on rye, wheat and meslin. The duty will take effect on January 15, 2004 and will continue until May 1, 2004. Any exportable supply available on January 15 is expected to be priced out of world markets while the duty is in force.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

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Executive Summary

On December 15, 2003 the Government of the Russian Federation published Resolution #749 of December 11, 2003 entitled "On Approval of Customs Duties for Rye, Wheat and Meslin, Exported from the Territory of the Russian Federation Outside the Member States of the Customs Union." The duty will enter into force on January 15, 2004, one month after its official publication, and will continue until May 1, 2004. An unofficial translation of the Resolution can be found at the end of this report.

Post estimates that any additional exports of wheat or rye from this year's short grain crop will take place only from now until January 15. Subsequently, these grains will be priced too high to complete trade while the duty is in effect.

Post has reported recently on possible export duties, and the grain trade and production situation. For further details, please see GAIN Report RS3052.

Factors Influencing Adoption of the Resolution

As a result of a compromise between traders' interests and politicians' concerns, Resolution #749 was adopted by the Government of the Russian Federation last week and will enter into force on January 15, 2004. For the trade, the compromise includes a shorter term (3 ½ months, less than the expected six months) of enforcement, allowing them begin new crop trade after May 1, 2004 free of duties. Although not part of the compromise, the implementation date one month hence allows the trade sufficient time complete their most urgent contracts before extra costs are imposed. The political sector benefits by assuring at least some stability in domestic food grain prices in the near term, while allowing more latitude in tariff policy in the spring based on the first grain production forecasts in 2004.

Contrary to earlier expectations, barley was not included in the Resolution, and traders may continue to deal in this product without paying additional tariffs. International barley prices are more attractive than domestic, encouraging trade. Additionally, feed barley is a less politically sensitive crop than either wheat or rye.

Grain Trade Update

Official grain exports during the period July, 2003 to October, 2003 reached 4.4 million metric tons (mmt), and consisted of 2.6 mmt of wheat and meslin, and over 1.64 mmt of feed barley. Although November data are not yet available, experts estimate that grain shipments may reach 0.8 mmt with decreasing exports of wheat and continued significant volumes of barley exports. Due to the shorter crop and export pace to date, traders believe that very little additional wheat exports will take place in December.

Table 1. Exports of Major Grains and Wheat Flour, Thousand Metric Tons

	October 2003	July – October 2003
Wheat, total	674.1	2628.2
- food quality wheat	540.8	2099.7
- feed quality wheat	133.3	493.4
Rye	22.0	152.5
Barley, fodder	495.0	1637.7
Wheat Flour	28.4	71.9

Sources: State Customs, Grain Union Bulletin ("OGO" research), "Sovecon"

Domestic Versus International Wheat Prices

According to the data provided by the Russian Grain Union, the lowest offer prices of food quality wheat (Russian 3rd class in West-Siberian region), including VAT, increased from 4,300 rubles per metric ton in mid-November to 4,750 rubles per metric ton on December 8. In dollar equivalent, the price increase is even faster, given the decreasing exchange rate.

Unofficial Translation of the Resolution**Government of the Russian Federation
Resolution #749 of December 11, 2003**

“On Approval of Customs Duties for Rye, Wheat and Meslin, exported from the Territory of the Russian Federation Outside the Member States of the Customs Union”

The Government of the Russian Federation decrees the following:

1. To approve the export duty for rye (Russian customs code 1002 00 000 0), wheat and meslin (Russian customs code 1001) exported from the territory of the Russian Federation outside the member states of the Agreement on the Customs Union, at 0.025 Euros per one kilogram.
2. The present Resolution enters into force one month from the date of publication and will be in force until May 1, 2004.

Chairman of the Government
of the Russian Federation

M. Kas'yanov

Moscow,
December 15, 2003
#2105